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BY E-MAIL
Ways and Means Committee
United States House of Representatives
Washington DC

Re: Charitable Deductions, the FairTax Alternative:

To the Ways and Means Committee of the United States House of Representatives,

I am a Volunteer Regional Director for the FairTax movement for New Jersey, New York and Pennsylvania, as well as a member of a Volunteer Board of Directors for FairTax New Jersey. FairTax New Jersey is an unincorporated association that promotes the FairTax in New Jersey. I am also a member and Secretary of a grassroots advisory board to the FairTax movement that calls itself the FairTax America Support Team ("FAST"). Finally, I am a member of a FairTax Strategic Planning Committee.

The FairTax is a bill in the House designated as HR.25 and in the Senate as S-122. The House sponsor is Rob Woodall, GA-07. The Senate sponsor is Saxby Chambliss, Georgia.

Your committee will hold hearings February 14, 2013 on "Tax Reform and Charitable Contributions." These hearings are part of your ongoing work on tax reform. For the following reasons the FairTax should be a part of your deliberations.

Charities and educational and scientific institutions play an important economic role and depend heavily on contributions. The ability of their major donors to deduct contributions from their income-tax base is an important motivation today for those donors to give. The work of the charities and educational and scientific institutions could

suffer if their donors were to be too severely limited in their ability to itemize deductions.

There could actually be an unintended consequence. The budget gap, which limiting charitable deductions is meant to close, could actually widen if the federal government then has to step in and assume functions that had previously been performed by charities, educational, and scientific institutions.

The FairTax would be a better answer. The FairTax, in effect, is an itemized deduction for everyone - not just wealthy taxpayers. Income, from which charitable contributions are made, is not taxed in the first place. There would be no need to choose between a standard deduction, which most taxpayers use, and itemized deductions.

Charitable contributions go far under the FairTax. Qualified charities themselves do not pay tax on their consumption as long as their end consumption furthers their charitable purposes.

The question becomes, will loss of an express charitable deduction under the FairTax cause charitable deductions to fall off? Quite the opposite. There is no controlled experiment to serve as a model, but there was a historical event that came close. After the 1986 Tax Reform Act, charitable giving increased rather than decreased, despite the lowering of marginal income and transfer tax rates. Charitable giving rose by \$6.4 billion, or 7.6 percent, in 1987 after the top tax rate fell from 50 to 28 percent (more than doubling the tax price of giving). Likewise, the growth of charitable bequests was most rapid from 1980 to 1987 when estate taxes were coming down.

One would have expected the opposite. As marginal tax rates fell, the tax motivation for charitable giving fell too. But there was another factor in play. Charitable giving appears to be just as much a function of wealth as tax policy. As the ability of people to give rose in 1987, so did their gifts.

As your Committee deliberates a modification to the Internal Revenue Code for charitable deductions, please provide equal billing for a substitution of the code with the FairTax:

the only tax, existing or proposed, that meets all four tests of sound tax policy: transparency, efficiency, conduciveness to economic growth, and fairness.

Sincerely,

/s/James M. Bennett

James M. Bennett